

**REPORT OF THE AUDIT OF THE
MENIFEE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2010**



**CRIT LUALLEN
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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable James D. Trimble, Menifee County Judge/Executive

Honorable Hershell Sexton, Former Menifee County Judge/Executive

Members of the Menifee County Fiscal Court

The enclosed report prepared by Teddy Michael Prater, CPA, PLLC, presents the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Teddy Michael Prater, CPA, PLLC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Teddy Michael Prater, CPA, PLLC evaluated Menifee County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen
Auditor of Public Accounts



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MENIFEE COUNTY FISCAL COURT

June 30, 2010

Teddy Michael Prater CPA, PLLC has completed the audit of the Menifee County Fiscal Court for the fiscal year ended June 30, 2010. We have issued unqualified opinions, based on our audit of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$1,912,967 as of June 30, 2010. The fiscal court had negative unrestricted net assets of \$268,517 in its governmental activities as of June 30, 2010. The fiscal court had total debt principal as of June 30, 2010 of \$3,505,945 with \$160,651 due within the next year.

Report Comments:

- 2010-01 The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically
- 2010-02 The Fiscal Court Should Improve Controls Over Expenditures
- 2010-03 The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund
- 2010-04 The Fiscal Court Should Include All Funds In Their Financial Statements
- 2010-05 Funds Should Not Have A Deficit Balance
- 2010-06 Budget Amendments Should Be Properly Posted To Quarterly Reports
- 2010-07 The Fiscal Court Should Not Overspend County Budgets

Deposits:

The fiscal court deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky

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Members of the Menifee County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Menifee County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Menifee County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

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Honorable Hershell Sexton, Former Menifee County Judge/Executive

Members of the Menifee County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Menifee County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2011, on our consideration of Menifee County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2010-01 The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically
- 2010-02 The Fiscal Court Should Improve Controls Over Expenditures
- 2010-03 The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund
- 2010-04 The Fiscal Court Should Include All Funds In Their Financial Statements
- 2010-05 Funds Should Not Have A Deficit Balance
- 2010-06 Budget Amendments Should Be Properly Posted To Quarterly Reports
- 2010-07 The Fiscal Court Should Not Overspend County Budgets

Respectfully submitted,



Teddy Michael Prater CPA, PLLC

March 8, 2011

MENIFEE COUNTY OFFICIALS

For The Year Ended June 30, 2010

Fiscal Court Members:

James D. Trimble	County Judge/Executive
Hershell Sexton	Former County Judge/Executive
Bob Ross	Magistrate
Stacy Smallwood	Magistrate
Glenn Mullins	Magistrate
Mike Hall	Magistrate

Other Elected Officials:

Greg Hall	County Attorney
C. Jason Stull	Jailer
Jo Ann Spencer	County Clerk
Karen Wells-Sorrell	Circuit Court Clerk
Rodney Coffey	Sheriff
Jim Lawson	Property Valuation Administrator
Melody Smallwood	Coroner

Appointed Personnel:

Phyllis Walker	County Treasurer
Barbara Bowman	Finance Officer
Loyd Roe	Road Supervisor
Jennifer Rogers	Occupational Tax Administrator
Bob Ross	Deputy Judge/Executive

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MENIFEE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

MENIFEE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$
Total Current Assets	<u> </u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	403,978
Buildings	3,889,264
Vehicles	376,033
Machinery and Equipment	336,042
Office Equipment	37,322
Infrastructure	637,948
Total Noncurrent Assets	<u>5,680,587</u>
Total Assets	<u>5,680,587</u>
LIABILITIES	
Cash Shortage	<u>261,675</u>
Current Liabilities:	
Bonds Payable	85,000
Notes Payable	6,500
Financing Obligations Payable	69,151
Total Current Liabilities	<u>160,651</u>
Noncurrent Liabilities:	
Bonds Payable	2,485,000
Notes Payable	171,000
Financing Obligations Payable	689,294
Total Noncurrent Liabilities	<u>3,345,294</u>
Total Liabilities	<u>3,767,620</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,174,642
Restricted For:	
Debt Service	6,842
Unrestricted	(268,517)
Total Net Assets	<u>\$ 1,912,967</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010

MENIFEE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,357,834	\$	\$ 387,262	\$
Protection to Persons and Property	1,148,818		227,788	
General Health and Sanitation	506,716	490,209	34,019	123,566
Social Services	9,456			
Recreation and Culture	112,051	5,397	16,003	
Roads	865,047		938,823	
Interest on Long-term and Short-term Debt	170,362			
Total Governmental Activities	\$ 4,170,284	\$ 495,606	\$ 1,603,895	\$ 123,566

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In-lieu tax payments

Excess Fees

Licenses and Permits

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Net (Expenses) Revenues
and Changes in Net Assets
Primary Government

Governmental
Activities

\$ (970,572)
 (921,030)
 141,078
 (9,456)
 (90,651)
 73,776
(170,362)

(1,947,217)

158,139
 5,555
 42,200
 1,093,916
 15,448
 52,809
 3,308
 3,867
192,396

1,567,638
(379,579)
2,292,546

\$ 1,912,967

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

MENIFEE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2010

	General Fund	Road Fund	Ambulance Fund	Public Properties Corporation Fund
ASSETS				
Cash and Cash Equivalents	\$	\$	\$	\$ 6,842
Interfund Receivable		28,434		
Total Assets		28,434		6,842
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Cash Shortage	55,526	98,107	23,007	
Interfund Payable	28,434			
Total Liabilities	83,960	98,107	23,007	
FUND BALANCES				
Unreserved:				
General Fund	(83,960)			
Special Revenue Funds		(69,673)	(23,007)	
Debt Service Fund				6,842
Total Fund Balances	(83,960)	(69,673)	(23,007)	6,842
Total Liabilities and Fund Balances	\$ 0	\$ 28,434	\$ 0	\$ 6,842

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2010
(Continued)

Non- Major Governmental Funds	Total Governmental Funds
21,820	\$ 28,662
	28,434
<u>21,820</u>	<u>57,096</u>
113,697	290,337
	28,434
<u>113,697</u>	<u>318,771</u>
(91,877)	(83,960)
	(184,557)
	6,842
<u>(91,877)</u>	<u>(261,675)</u>
<u>\$ 21,820</u>	<u>\$ 57,096</u>

Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ (261,675)
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	7,741,202
Accumulated Depreciation	(2,060,615)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(758,445)
Note Payable	(177,500)
Bonded Debt	<u>(2,570,000)</u>
Net Assets Of Governmental Activities	<u>\$ 1,912,967</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

MENIFEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

	<u>General Fund</u>	<u>Road Fund</u>	<u>Ambulance Fund</u>
REVENUES			
Taxes	\$ 907,529	\$	\$
In Lieu Tax Payments	15,448	234,065	
Excess Fees	52,809		
Licenses and Permits	3,308		
Intergovernmental	138,324	938,312	10,129
Charges for Services			487,908
Miscellaneous	60,289	25,995	38,199
Interest	479	1,503	70
Total Revenues	<u>1,178,186</u>	<u>1,199,875</u>	<u>536,306</u>
EXPENDITURES			
General Government	465,642		2,059
Protection to Persons and Property	10,333		709,698
General Health and Sanitation	266,489	19,668	
Social Services	9,456		
Recreation and Culture			
Roads		879,426	
Debt Service:			
Principal	70,000		
Interest	55,681		
Administration	<u>327,559</u>	<u>137,604</u>	<u>209,748</u>
Total Expenditures	<u>1,205,160</u>	<u>1,036,698</u>	<u>921,505</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(26,974)</u>	<u>163,177</u>	<u>(385,199)</u>
OTHER FINANCING SOURCES (USES)			
Financing Obligation Proceeds			65,500
Transfers From Other Funds	659,500	190,434	282,270
Transfers To Other Funds	<u>(710,119)</u>	<u>(452,500)</u>	
Total Other Financing Sources (Uses)	<u>(50,619)</u>	<u>(262,066)</u>	<u>347,770</u>
Net Change in Fund Balances	(77,593)	(98,889)	(37,429)
Fund Balances - Beginning (Restated)	<u>(6,367)</u>	<u>29,216</u>	<u>14,422</u>
Fund Balances - Ending	<u><u>\$ (83,960)</u></u>	<u><u>\$ (69,673)</u></u>	<u><u>\$ (23,007)</u></u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2010
(Continued)

Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$ 158,216	\$ 1,065,745
		249,513
		52,809
		3,308
190,670	450,026	1,727,461
	7,698	495,606
	67,913	192,396
66	1,749	3,867
<u>190,736</u>	<u>685,602</u>	<u>3,790,705</u>
	51,628	519,329
	460,605	1,180,636
	198,423	484,580
		9,456
	108,014	108,014
		879,426
85,000	11,965	166,965
104,670	10,011	170,362
	96,508	771,419
<u>189,670</u>	<u>937,154</u>	<u>4,290,187</u>
<u>1,066</u>	<u>(251,552)</u>	<u>(499,482)</u>
		65,500
	299,415	1,431,619
	(269,000)	(1,431,619)
	<u>30,415</u>	<u>65,500</u>
1,066	(221,137)	(433,982)
5,776	129,260	172,307
<u>\$ 6,842</u>	<u>\$ (91,877)</u>	<u>\$ (261,675)</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

MENIFEE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds	\$ (433,982)
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Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay	219,402
Depreciation Expense	(266,064)
Disposal of Capital Assets, Net Book Value	(400)

The Issuance of Long-term Debt (e.g. Bonds, Financing Obligations) Provides Current Financial Resources to Governmental Funds, While Repayment of Principal on Long-term Debt Consumes the Current Financial Resources of Governmental Funds. These Transactions, However, Have no Effect on Net Assets.

Financing Obligation Proceeds	(65,500)
Financing Obligation Principal Payments	75,965
Notes Principal Payments	6,000
Bonds Principal Payments	85,000
	85,000

Change in Net Assets of Governmental Activities	\$ (379,579)
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TO FINANCIAL STATEMENTS**

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**MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2010

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Meniffee County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Unit (Continued)

Menifee County Public Properties Corporation:

The Menifee County Public Properties Corporation (Corporation) cannot be sued in its own name without recourse to the Menifee County Fiscal Court, who appoints a voting majority consisting of the fiscal court members and the County Attorney. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agency in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources and is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court. This component unit is blended within the financial statements of the county.

C. Menifee County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Menifee County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities, and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Menifee County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs. The County has no business-type activities or fiduciary funds.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount through November 30, due at face value through December 31, delinquent at January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Ambulance Fund - The purpose of this fund is to account for receipts and expenditures of the ambulance service.

Menifee County Public Properties Corporation Fund – This fund issued the debt to construct a courthouse annex and renovate the existing courthouse facility. This fund has receipts from the Administrative Office of the Courts in the amount necessary to make the debt payments associated with the courthouse annex.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Parks and Recreation Fund, Wellness Fund, Building Commission Fund, Health Tax Fund, 911 Fund, and Peter Trace and Cornwell Branch Water Project Fund.

Special Revenue Funds:

The Road Fund, Ambulance Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Parks and Recreation Fund, Wellness Fund, Building Commission Fund, Health Tax Fund, 911 Fund, and Peter Trace and Cornwell Branch Water Project Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

Menifee County Public Properties Corporation Fund – The purpose of this fund is to account for the activities of the Menifee County Public Properties Corporation. The Menifee County Public Properties Corporation issued debt for the construction of the courthouse annex and renovation of the existing courthouse facility. The Menifee County Public Properties Corporation entered into a lease agreement with the Administrative Office of the Courts (the “AOC”), in which AOC uses and subleases all or a portion of certain facilities owned or constructed by or on behalf of the County. This requires payments to be made by AOC in an amount equal to the debt payments associated with the renovations.

E. Deposits and Investments

The government’s cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

The County's capitalization policy is as follows:

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50
Office Equipment	\$ 1,000	3-25

G. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Menifee County Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually. The State Local Finance Officer does not require this fund to be budgeted.

J. Jointly Governed Organizations

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility of the participating governments. The jointly governed organization can act independently of each of the participating governments. The Menifee, Morgan, and Rowan Counties Industrial Park (MMRC) meets the criteria noted above and is an organization jointly governed by the Kentucky counties previously mentioned.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity		
	Beginning Balance	Increases	Decreases
Primary Government:			
Governmental Activities:			
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 403,978	\$	\$ 403,978
Total Capital Assets Not Being Depreciated	403,978		403,978
Capital Assets, Being Depreciated:			
Buildings	4,894,570		4,894,570
Vehicles	547,736	219,402	767,138
Machinery and Equipment	637,922		637,922
Office Equipment	83,461		(3,400) 80,061
Infrastructure	957,533		957,533
Total Capital Assets Being Depreciated	7,121,222	219,402	(3,400) 7,337,224
Less Accumulated Depreciation For:			
Buildings	(928,044)	(77,262)	(1,005,306)
Vehicles	(321,778)	(69,327)	(391,105)
Machinery and Equipment	(263,568)	(38,312)	(301,880)
Office Equipment	(41,179)	(4,560)	3,000 (42,739)
Infrastructure	(242,982)	(76,603)	(319,585)
Total Accumulated Depreciation	(1,797,551)	(266,064)	3,000 (2,060,615)
Total Capital Assets, Being Depreciated, Net	5,323,671	(46,662)	(400) 5,276,609
Governmental Activities Capital Assets, Net	\$ 5,727,649	\$ (46,662)	\$ (400) \$ 5,680,587

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 66,686
Protection to Persons and Property	63,182
General Health and Sanitation	22,136
Recreation and Culture	4,037
Roads, Including Depreciation of General Infrastructure Assets	<u>110,023</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 266,064</u>

Note 4. Short-term Debt

A. Borrowed Money

On December 7, 2010, the Fiscal Court executed a note with the Traditional Bank, Inc. The principal amount of the note was \$250,000 with an interest rate of 6.250% and a maturity date of March 7, 2010. The note was repaid on April 7, 2010.

B. Changes In Short-term Liabilities

Short-term liability activity for the year ended June 30, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Borrowed Money	<u>\$</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$</u>	<u>\$</u>
Total Governmental Activities - Short-term Liabilities	<u>\$ 0</u>	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ 0</u>	<u>\$ 0</u>

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt

A. Refunding Revenue Bonds, Series 2006

On May 1, 2000, the Menifee County Public Properties Corporation issued \$2,845,000 in First Mortgage Revenue Bonds, Series 2000, to construct a courthouse annex and renovate the existing courthouse facility. The bonds were defeased on December 1, 2006. \$2,844,051 was paid to the escrow agent to refund the outstanding balance on this debt. Neither the escrow account nor the liability is included in the financial statements.

On December 1, 2006, the Menifee County Public Properties Corporation issued \$2,720,000 of First Mortgage Refunding Revenue Bonds, Series 2006, for the purpose of defeasing the First Mortgage Revenue Bonds, Series 2000. The county entered into a lease agreement with the Administrative Office of the Courts in order to provide funding to meet annual debt service requirements. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year commencing March 1, 2007. Principal payments are payable annually commencing March 1, 2009. The total principal balance outstanding as of June 30, 2010 was \$2,570,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 85,000	\$ 101,695
2012	90,000	98,720
2013	95,000	95,570
2014	95,000	92,150
2015	100,000	88,730
2016-2020	565,000	383,845
2021-2025	695,000	263,805
2026-2030	845,000	109,255
Totals	<u>\$ 2,570,000</u>	<u>\$ 1,233,770</u>

B. Note Payable, United States Department of Agriculture

The Menifee County Fiscal Court entered into a 30-year note payable in the amount of \$233,000 due to the United States Department of Agriculture, Rural Development bearing interest at a rate of 5%. The note requires semiannual interest payments due in June and December of each year and annual principal payments due in December of each year. As of June 30, 2010, the principal balance remaining was \$177,500. Future principal and interest requirements are:

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

B. Note Payable, United States Department of Agriculture (Continued)

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 6,500	\$ 8,875
2012	6,500	8,550
2013	7,000	8,225
2014	7,000	7,875
2015	8,000	7,525
2016-2020	44,500	31,400
2021-2025	56,500	21,850
2026-2028	41,500	4,225
Totals	<u>\$ 177,500</u>	<u>\$ 98,525</u>

C. Financing Obligations, Courthouse Renovation, and Industrial Park Improvements

On September 12, 2001, the Menifee County Fiscal Court entered into an agreement with the Kentucky Area Development District Financing Trust for various projects including courthouse renovation and industrial park improvements in the amount of \$785,000. The agreement requires two semiannual interest payments be made in March and September of each year commencing March 1, 2002. Principal payments are due in September of each year commencing September 1, 2002, to be paid in full September 1, 2026. As of June 30, 2010, the principal balance remaining was \$585,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 30,000	\$ 30,588
2012	30,000	29,147
2013	30,000	27,678
2014	35,000	26,052
2015	35,000	24,259
2016-2020	215,000	88,920
2021-2025	165,000	30,380
2026-2027	45,000	2,660
Totals	<u>\$ 585,000</u>	<u>\$ 259,684</u>

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

D. Financing Obligations, Insurance Premium Repayment

On March 21, 2002, the Menifee County Fiscal Court entered into an agreement with the Kentucky Area Development District Financing Trust in the amount of \$205,000. The funds were used to pay a settlement with Ohio Casualty Company relating to an overpayment of insurance premium taxes paid by Ohio Casualty Company to the Menifee County Fiscal Court. The agreement requires two semiannual interest payments be made in May and November of each year commencing November 1, 2002. Principal payments are due in May of each year commencing May 1, 2003, to be paid in full May 1, 2012. As of June 30, 2010, the principal balance remaining was \$50,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 25,000	\$ 2,450
2012	25,000	1,225
Totals	<u>\$ 50,000</u>	<u>\$ 3,675</u>

E. Financing Obligations, Kentucky Area Development District Financing Trust

On June 29, 2006, the Menifee County Fiscal Court entered into an agreement with the Kentucky Area Development District Financing Trust in the amount of \$105,000. The agreement requires two semiannual interest payments to be paid in January and July of each year commencing January 1, 2007. Principal payments are due in July of each year commencing July 1, 2007, to be paid in full on July 1, 2013. As of June 30, 2010, the principal balance remaining was \$45,000. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$	\$ 1,005
2012	15,000	1,680
2013	15,000	1,012
2014	15,000	338
Totals	<u>\$ 45,000</u>	<u>\$ 4,035</u>

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

F. Financing Obligations, Vehicle Purchases

On April 15, 2008, the Menifee County Fiscal Court entered into an agreement with Traditional Bank, Inc. for the purchase of a salt truck and a jailer's transport vehicle in the amount of \$24,352 at an interest rate of 5.75%. The agreement requires one principal and interest payment each year for four years commencing April 15, 2009, to be paid in full on April 15, 2012. As of June 30, 2010, the principal balance remaining was \$12,945. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 6,298	\$ 722
2012	6,647	372
Totals	<u>\$ 12,945</u>	<u>\$ 1,094</u>

G. Financing Obligations, Ambulance Purchase

On October 1, 2009, the Menifee County Fiscal Court entered into an agreement with Tax-Exempt Leasing Corporation for the purchase of an ambulance in the amount of \$65,500 at an interest rate of 5.79%. The agreement requires annual principal and interest payments for seven years commencing on October 1, 2010, to be paid in full on October 1, 2016. As of June 30, 2010, the principal balance remaining was \$65,500. Future principal and interest requirements are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2011	\$ 7,853	\$ 3,792
2012	8,308	3,338
2013	8,789	2,857
2014	9,298	2,348
2015	9,837	1,809
2016-17	21,415	1,877
Totals	<u>\$ 65,500</u>	<u>\$ 16,021</u>

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 5. Long-term Debt (Continued)

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
Refunding Revenue Bonds,					
2006 Series	\$ 2,655,000	\$	\$ 85,000	2,570,000	\$ 85,000
Note Payable	183,500		6,000	177,500	6,500
Financing Obligations	768,910	65,500	75,965	758,445	69,151
Total Governmental Activities -					
Long-term Liabilities	<u>\$ 3,607,410</u>	<u>\$ 65,500</u>	<u>\$ 166,965</u>	<u>\$ 3,505,945</u>	<u>\$ 160,651</u>

Note 6. Interest on Long-term and Short-term Debt

Long-term and short-term interest on the Statement of Activities includes \$104,670 of interest on Revenue Bonds, \$8,932 of interest on a long-term note with the U.S. Department of Agriculture, \$44,971 of interest on financing obligations, and \$11,789 of interest on a short-term note.

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 32.97 percent.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 7. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 8. Deferred Compensation

The Menifee County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-5404, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2010, Menifee County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

MENIFEE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2010
(Continued)

Note 10. Fund Balance - Deficits

As of June 30, 2010 the Jail Fund, Parks and Recreation Fund, Building Commission Fund, and the 911 Fund had deficit balances in the amount of \$108,376, \$4,918, \$60, and \$343 respectively.

Note 11. Subsequent Events

There were significant events that will have a material impact on the county's financial operational abilities for fiscal year 2011. These events are as follows:

- The financial statements reflect a reconciled cash deficit total for all funds of \$270,345. Due to this shortage, a huge portion of fiscal year 2011 revenues will have to be used to cover the fiscal year 2010 cash deficit.
- As of fieldwork date, the county had pass-due claims payable of at least \$389,042. In addition, the county had a short-term note of \$300,000 with Traditional Bank. This note was executed on July 2, 2010, with an original maturity date of October 2, 2010. After two renewals, the note is now due on June 30, 2011. This note was executed for the purpose of covering the cash deficit described above.

Note 12. Transfers From Restricted Funds

The county transferred restricted money in the amount of \$28,434 from the Road Fund to the General Fund. As of June 30, 2010, the General Fund owes the Road Fund \$28,434.

Note 13. Prior Period Adjustments

Restatement of Beginning Balance-Net Assets:

Beginning Balance	\$ 2,302,962
Adjustment for Payroll Fund Surplus included in General Fund	(11,416)
Reverse Prior Year Adjustments	1,000
Beginning Balance-Restated	<u><u>\$ 2,292,546</u></u>

Restatement of General Fund Balance:

Beginning Balance	\$ 4,049
Adjustment for Payroll Fund Surplus included in General Fund	(11,416)
Reverse Prior Year Adjustments	1,000
Beginning Balance-Restated	<u><u>\$ (6,367)</u></u>

Restatement of General Fund Cash:

Beginning Balance	\$ 32,483
Adjustment for Payroll Fund Surplus included in General Fund	(11,416)
Reverse Prior Year Adjustments	1,000
Beginning Balance -Restated	<u><u>\$ 22,067</u></u>

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MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2010

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,045,868	\$ 1,045,868	\$ 907,529	\$ (138,339)
In Lieu Tax Payments	62,000	62,000	15,448	(46,552)
Excess Fees	32,807	42,757	52,809	10,052
Licenses and Permits	5,700	5,700	3,308	(2,392)
Intergovernmental Revenue	117,755	148,354	138,324	(10,030)
Miscellaneous	6,700	6,700	60,289	53,589
Interest	500	500	479	(21)
Total Revenues	<u>1,271,330</u>	<u>1,311,879</u>	<u>1,178,186</u>	<u>(133,693)</u>
EXPENDITURES				
General Government	510,614	465,642	465,642	
Protection to Persons and Property	11,780	10,333	10,333	
General Health and Sanitation	223,216	266,488	266,489	(1)
Social Services	10,000	9,456	9,456	
Debt Service:				
Principal	50,000	298,855	320,000	(21,145)
Interest	45,500	55,381	55,681	(300)
Administration	232,800	273,070	327,559	(54,489)
Total Expenditures	<u>1,083,910</u>	<u>1,379,225</u>	<u>1,455,160</u>	<u>(75,935)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>187,420</u>	<u>(67,346)</u>	<u>(276,974)</u>	<u>(209,628)</u>
OTHER FINANCING SOURCES (USES)				
Borrowed Money			250,000	250,000
Transfers From Other Funds	152,166	152,166	659,500	507,334
Transfers To Other Funds	<u>(339,586)</u>	<u>(339,586)</u>	<u>(710,119)</u>	<u>(370,533)</u>
Total Other Financing Sources (Uses)	<u>(187,420)</u>	<u>(187,420)</u>	<u>199,381</u>	<u>386,801</u>
Net Changes in Fund Balance		(254,766)	(77,593)	177,173
Fund Balance - Beginning (Restated)			<u>22,067</u>	<u>22,067</u>
Fund Balance - Ending	<u>\$</u>	<u>\$ (254,766)</u>	<u>\$ (55,526)</u>	<u>\$ 199,240</u>

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

**Reconciliation of the Budgetary Comparison Schedule to Statement of
Revenues, Expenditures, and Changes in Fund Balance**

Expenditures	\$ 1,455,160
Payment on Operating Loan	<u>(250,000)</u>
Expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 1,205,160</u>
Other Financing Sources (Uses)	\$ 199,381
Proceeds Operating Loan	<u>(250,000)</u>
Other Financing Sources (Uses) per Statement of Revenues Expenditures, and Changes in Fund Balances	<u>\$ (50,619)</u>
Fund Balance - Beginning	\$ 22,067
Restricted Transfers Payable	<u>(28,434)</u>
Beginning Fund Balance per Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ (6,367)</u>
Fund Balance-Ending	\$ (55,526)
Restricted Transfers Payable	<u>(28,434)</u>
Ending Fund Balance per Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ (83,960)</u>

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
In Lieu of Taxes	\$ 191,000	\$ 137,659	\$ 234,065	\$ 96,406
Intergovernmental Revenue	855,537	882,706	938,312	55,606
Miscellaneous	600	2,199	25,995	23,796
Interest	1,700	2,738	1,503	(1,235)
Total Revenues	1,048,837	1,025,302	1,199,875	174,573
EXPENDITURES				
General Health and Sanitation	15,000	19,668	19,668	
Roads	625,384	879,426	879,426	
Administration	256,287	137,604	137,604	
Total Expenditures	896,671	1,036,698	1,036,698	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	152,166	(11,396)	163,177	174,573
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			190,434	190,434
Transfers To Other Funds	(152,166)	(152,166)	(452,500)	(300,334)
Total Other Financing Sources (Uses)	(152,166)	(152,166)	(262,066)	(109,900)
Net Changes in Fund Balance				
		(163,562)	(98,889)	64,673
Fund Balance - Beginning			782	782
Fund Balance - Ending	\$ 0	\$ (163,562)	\$ (98,107)	\$ 65,455

**Reconciliation of the Budgetary Comparison Schedule to Statement of
Revenues, Expenditures, and Changes in Fund Balance**

Fund Balance - Beginning	\$ 782
Restricted Transfers Receivable	<u>28,434</u>
Beginning Fund Balance per Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 29,216</u>
Fund Balance - Ending	\$ (98,107)
Restricted Transfers Receivable	<u>28,434</u>
Ending Fund Balance per Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ (69,673)</u>

MENIFEE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2010
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenues	\$ 10,000	\$ 10,000	\$ 10,129	\$ 129
Charges for Services	500,000	500,000	487,908	(12,092)
Miscellaneous	1,400	36,893	38,199	1,306
Interest			70	70
Total Revenues	<u>511,400</u>	<u>546,893</u>	<u>536,306</u>	<u>(10,587)</u>
EXPENDITURES				
General Government		2,059	2,059	
Protection to Persons and Property	460,310	543,781	644,198	(100,417)
Administration	188,400	138,363	209,748	(71,385)
Total Expenditures	<u>648,710</u>	<u>684,203</u>	<u>856,005</u>	<u>(171,802)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(137,310)</u>	<u>(137,310)</u>	<u>(319,699)</u>	<u>(182,389)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	137,310	137,310	282,270	144,960
Transfers To Other Funds				
Total Other Financing Sources (Uses)	<u>137,310</u>	<u>137,310</u>	<u>282,270</u>	<u>144,960</u>
Net Changes in Fund Balance			(37,429)	(37,429)
Fund Balance - Beginning			14,422	14,422
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (23,007)</u>	<u>\$ (23,007)</u>

**Reconciliation of the Budgetary Comparison Schedule to Statement of
Revenues, Expenditures, and Changes in Fund Balance**

Total Expenditures	\$ 856,005
Capital Outlay of Lease Proceeds Not Budgeted	<u>65,500</u>
Total Expenditures per Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 921,505</u>
Total Other Financing Sources (Uses)	\$ 282,270
Lease Proceeds Not Budgeted	<u>65,500</u>
Total Other Financing Sources (Uses) per Statement of Revenues, Expenditures, and Changes in Fund Balances	<u>\$ 347,770</u>

MENIFEE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

Note 1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Excess of Expenditures Over Appropriations

The General Fund and Ambulance Fund expenditures exceeded their budgets by \$75,935 and \$171,802, respectively.

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MENIFEE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

MENIFEE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2010

	Jail Fund	LGEA Fund	State Grants Fund	Parks and Recreation Fund	Wellness Fund
ASSETS					
Cash and Cash Equivalents	\$	\$ 3,258	\$ 30	\$	\$ 388
Total Assets		3,258	30		388
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Cash Shortage	108,376			4,918	
Total Liabilities	108,376			4,918	
FUND BALANCES					
Unreserved:					
Special Revenue Funds	(108,376)	3,258	30	(4,918)	388
Total Fund Balances	(108,376)	3,258	30	(4,918)	388
Total Liabilities and Fund Balances	\$ 0	\$ 3,258	\$ 30	\$ 0	\$ 388

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2010
(Continued)

Building Commission Fund	Health Tax Fund	911 Fund	Total Non-Major Governmental Funds
<u>\$</u>	<u>\$ 18,144</u>	<u>\$</u>	<u>\$ 21,820</u>
	<u>18,144</u>		<u>21,820</u>
<u>60</u>		<u>343</u>	<u>113,697</u>
<u>60</u>		<u>343</u>	<u>113,697</u>
<u>(60)</u>	<u>18,144</u>	<u>(343)</u>	<u>(91,877)</u>
<u>(60)</u>	<u>18,144</u>	<u>(343)</u>	<u>(91,877)</u>
<u>\$ 0</u>	<u>\$ 18,144</u>	<u>\$ 0</u>	<u>\$ 21,820</u>

The accompanying notes are an integral part of the financial statements.

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MENIFEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010

MENIFEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2010

	Jail Fund	LGEA Fund	State Grants Fund	Parks and Recreation Fund	Wellness Fund
REVENUES					
Taxes	\$	\$	\$	\$	\$
Intergovernmental	86,125	95,870		16,003	53
Charges for Services				5,397	1,428
Miscellaneous	89			7,681	12,000
Interest	39	56		29	8
Total Revenues	<u>86,253</u>	<u>95,926</u>		<u>29,110</u>	<u>13,489</u>
EXPENDITURES					
General Government		1,430			23,676
Protection to Persons and Property	260,166				
General Health and Sanitation		11,585			
Recreation and Culture				108,014	
Debt Service					
Principal					
Interest					
Administration	22,473			2,289	10,588
Total Expenditures	<u>282,639</u>	<u>13,015</u>		<u>110,303</u>	<u>34,264</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(196,386)</u>	<u>82,911</u>		<u>(81,193)</u>	<u>(20,775)</u>
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	121,000	6,000		88,500	25,755
Transfers To Other Funds	(18,500)	(86,000)		(12,500)	(5,000)
Total Expenditures	<u>102,500</u>	<u>(80,000)</u>		<u>76,000</u>	<u>20,755</u>
Net Change in Fund Balances	(93,886)	2,911		(5,193)	(20)
Fund Balances - Beginning	(14,490)	347	30	275	408
Fund Balances - Ending	<u>\$ (108,376)</u>	<u>\$ 3,258</u>	<u>\$ 30</u>	<u>\$ (4,918)</u>	<u>\$ 388</u>

The accompanying notes are an integral part of the financial statements.

MENIFEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2010
(Continued)

Building Commission Fund	Health Tax Fund	911 Fund	Peter Trace and Cornwell Branch Water Project Fund	Total Non-Major Governmental Funds
\$	\$ 91,227	\$ 66,989	\$	\$ 158,216
	62	138,431	113,482	450,026
	873			7,698
47,837	306			67,913
	1,521	96		1,749
<u>47,837</u>	<u>93,989</u>	<u>205,516</u>	<u>113,482</u>	<u>685,602</u>
26,522				51,628
		200,439		460,605
	73,356		113,482	198,423
				108,014
11,965				11,965
10,011				10,011
1,385		59,773		96,508
<u>49,883</u>	<u>73,356</u>	<u>260,212</u>	<u>113,482</u>	<u>937,154</u>
<u>(2,046)</u>	<u>20,633</u>	<u>(54,696)</u>		<u>(251,552)</u>
		58,160		299,415
	<u>(132,000)</u>	<u>(15,000)</u>		<u>(269,000)</u>
	<u>(132,000)</u>	<u>43,160</u>		<u>30,415</u>
(2,046)	(111,367)	(11,536)		(221,137)
1,986	129,511	11,193		129,260
<u>\$ (60)</u>	<u>\$ 18,144</u>	<u>\$ (343)</u>	<u>\$ 0</u>	<u>\$ (91,877)</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

TEDDY MICHAEL PRATER CPA, PLLC

HC 62 Box 291

Salyersville, KY 41465

Telephone (606) 349-8042

The Honorable James D. Trimble, Menifee County Judge/Executive
The Honorable Hershell Sexton, Former Menifee County Judge/Executive
Members of the Menifee County Fiscal Court

Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Menifee County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated March 8, 2011. Menifee County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Menifee County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Menifee County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Menifee County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations to be material weaknesses: 2010-01, 2010-02, 2010-03, 2010-04, 2010-05, 2010-06, and 2010-07.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Menifee County's financial statements as of and for the year ended June 30, 2010, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The former Menifee County Judge/Executive's responses and the Menifee County Judge/Executive's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the County Judge/Executives' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the entity, and the Department for Local Government, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Teddy Michael Prater CPA". The signature is written in a cursive, flowing style.

Teddy Michael Prater CPA, PLLC

March 8, 2011

**MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2010

**MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS**

Fiscal Year Ended June 30, 2010

INTERNAL CONTROL - MATERIAL WEAKNESSES:

2010-01 The County Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically

The County did not have a completed capital asset schedule for fiscal year ending June 30, 2010. A list of capital asset additions, retirements and disposals were not properly maintained. A schedule of additions should be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Invoices for asset acquisition and invoices for all other disbursements should be kept on file in a manner that allows retrieval of the original invoice for review and verification as needed by management and auditors. Furthermore, we believe that the capital asset listing should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing. As equipment is retired or disposed of it should be removed from the listing. We recommend that the County maintain complete and accurate capital asset schedules and records to comply with GASB 34 requirements.

The Fiscal Court should take a physical inventory of its capital assets on a regular basis (such as every two to three years) or at the beginning of a new administration to ensure only active, in-service machinery and equipment is included on the County's financial statements. We also recommend that the County implement policies that will identify and track additions, retirements and disposed assets for the purpose of the capital asset schedule. These procedures will ensure that fixed assets are properly stated and that depreciation is being calculated accurately.

Former County Judge/Executive's Response: None.

County Judge/Executive's Response: Already in progress under new Admin.

2009-02 The Fiscal Court Should Improve Controls Over Expenditures

Several deficiencies were noted in the internal control structure as it relates to expenditures, namely, in the documentation, preparation, and authorization of expenditure items. The following issues were noted during expenditure testing and need to be addressed by the Fiscal Court:

- Of the sixty-five (65) invoices tested, eleven (11) invoices totaling \$98,059 were not paid within 30 working days as required, four (4) totaling \$6,392 were not approved by the Fiscal Court and fifteen (15) invoices totaling \$20,238 had no supporting documentation.
- Of the \$21,860 in credit card disbursements, we could not determine the appropriateness of \$7,688 due to lack of supporting documentation.
- The Fiscal Court does not report encumbrances on the financial statements. Of the \$70,151 on the July 2010 claims list, approximately 95% or \$66,643 were fiscal year 2010 claims that should have been included as encumbrances on the 4th quarter report according to information supplied by the County Treasurer.
- The Fiscal Court paid \$5,300 in late fees on insurance premium payments.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2010
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2010-02 The Fiscal Court Should Improve Controls Over Expenditures (Continued)

Strong internal control is maintained by having an approved purchase order prior to payment as required by the administrative code. Documentation of all expenditures should be included in the overall payment package for approval by the Fiscal Court.

An annual review by the Fiscal Court of the administrative code is required by KRS 68.005 during the month of June.

KRS 65.140(2) requires all bills for goods and services to be paid in full within thirty (30) working days of receiving a vendor invoice. It continues to state that if payment of invoices exceeds thirty (30) days, a 1% interest penalty should be added.

We recommend the County review, utilize, and adhere to all applicable laws and regulations. Specifically, we recommend the County take the following action to comply with the Department for Local Government requirements and Kentucky Revised Statutes included within:

- Ensure expenditures occur within thirty working (30) days of receiving vendor invoices or compensate vendors according to statutory interest penalties for payments exceeding thirty (30) working days. Strong internal controls will also ensure that late fees will not be incurred by the County.
- Review and update the administrative policy annually in June as required.
- Review all payment packages presented to the Fiscal Court for approval to ensure proper documentation is maintained to support the payment and all proper approvals are documented.
- Report all encumbrances by including all outstanding liabilities at the end of the fiscal year on the fourth quarter financial statement and maintain a list of these encumbrances to ensure the County has not encumbered more than the available cash balance in each fund.

Former County Judge/Executive's Response: None.

County Judge/Executive's Response: Will pay bills within 30 days and institute on all inherited bills/expenses.

2010-03 The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund

The Fiscal Court should require that proper records be maintained for the Menifee County Public Properties Corporation. Since the Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation, it is a blended component unit of the Fiscal Court. The Public Properties Corporation issued the debt for the courthouse annex/renovation and receives payments from the Administrative Office of the Courts to make the necessary debt service payments. The Fiscal Court should designate someone to receive the bank statements for the Public Properties Corporation, maintain a receipts and disbursements ledger, and prepare a financial statement.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2010
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

- 2010-03 The Fiscal Court Should Require That Proper Records Be Maintained For The Public Properties Corporation Fund
 (Continued)
-

Former County Judge/Executive's Response: None.

County Judge/Executive's Response: Will be kept in separate bank binder.

- 2010-04 The Fiscal Court Should Include All Funds In Their Financial Statements

The County maintained a bank account for the Kentucky Infrastructure Authority pass-through funds that was to be used for the Peter Trace and Cornwell Branch Water Project. The grant money, per agreement, was to go to the Bath County Water District. The funds were received and disbursed properly, however the receipts and disbursements were not included in the County's financial statements. We recommend all accounts belonging to the Menifee County Fiscal Court be included in the financial statements.

Former County Judge/Executive's Response: None.

County Judge/Executive's Response: All Fed and State monies will be logged in a separate financial statement.

- 2010-05 Funds Should Not Have A Deficit Balance

The General, Road, Jail, Ambulance, Parks and Recreation, Building Commission and 911 Funds had negative cash balances of \$55,526, \$98,107, \$108,376, \$23,007, \$4,918, \$60, and \$343 respectively as of June 30, 2010. These Funds had a total bank balance of \$149,206, however there were outstanding checks totaling \$439,543. This resulted in a deficit cash balance of \$290,337 for the Funds listed above. We recommend the Fiscal Court not approve claims when funds are not available to cover checks issued. Furthermore, we recommend that the County Treasurer, under no condition, prepare and issue checks when funds are insufficient to cover the checks issued.

Former County Judge/Executive's Response: None.

County Judge/Executive's Response: This matter will be corrected on this Admin.

MENIFEE COUNTY
COMMENTS AND RECOMMENDATIONS
For The Year Ended June 30, 2010
(Continued)

INTERNAL CONTROL - MATERIAL WEAKNESSES: (Continued)

2010-06 Budget Amendments Should Be Properly Posted To Quarterly Reports

The budget amendments were properly approved by both the Fiscal Court and the State Local Finance Officer, however the amendments were not properly posted to the financial records. In some instances the amendments were posted to receipts and not to disbursements, others were posted to disbursements and not to receipts, and some amendments were not posted at all. Furthermore, amounts were posted to the financial records (4th Quarter Report) that were not included in the amendments. We recommend the Fiscal Court exercise their oversight responsibilities to ensure that all budget amendments are properly posted to the financial records and only properly approved amendments are included.

Former County Judge/Executive's Response: None.

County Judge/Executive's Response: This matter will be corrected with new Admin.

2010-07 The Fiscal Court Should Not Overspend County Budgets

The budgets for the General, Jail, Local Government Economic Assistance, Ambulance, Park and Recreation, Wellness, Building Commission and 911 Funds were overspent by \$75,935, \$45,559, \$16, \$171,802, \$23,907, \$15,955, \$3,283 and \$19,857 respectively. Regulations set forth by the Department for Local Governments prohibit claims being paid when there is not sufficient free balance in the budget to cover expenditures. We recommend the Fiscal Court not approve claims for payment when there is not sufficient free balance in the budgets.

Former County Judge/Executive's Response: None.

County Judge/Executive's Response: New Judge/Executive, new Finance Officer, new Fiscal Court and all budget/expenditures will be presented at each fiscal court meeting.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

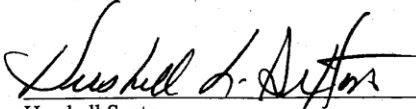
MENIFEE COUNTY FISCAL COURT

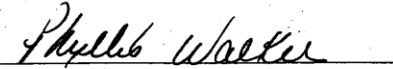
**For The Fiscal Year Ended
June 30, 2010**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MENIFEE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Menifee County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Hershell Sexton
Former County Judge/Executive


Phyllis Walker
County Treasurer

